UNITED
NATIONS

Framework Convention on
Climate Change

Distr.
GENERAL

FCCC/SBI/1995/3
14 July 1995

Original: ENGLISH

SUBSIDIARY BODY FOR IMPLEMENTATION
First session
Geneva, 31 August - 1 September 1995
Item 3 (b) of the provisional agenda

MATTERS RELATING TO ARRANGEMENTS FOR THE FINANCIAL MECHANISM

ARRANGEMENTS BETWEEN THE CONFERENCE OF THE PARTIES AND THE OPERATING ENTITY OR ENTITIES OF THE FINANCIAL MECHANISM

Draft Memorandum of Understanding between the Conference of the Parties and the Council of the Global Environment Facility

The Conference of the Parties at its first session (COP 1), by its decision 10/CP.1 requested the secretariat, in consultation with the secretariat of the Global Environment Facility (GEF) and bearing in mind comments made at the eleventh session of the Intergovernmental Negotiating Committee, to prepare draft arrangements for consideration by the Subsidiary Body for Implementation (SBI) at its first session and adoption by the Conference of the Parties at its second session.

Following consultations between the Convention secretariat and the GEF secretariat a draft Memorandum of Understanding has been prepared for consideration by the SBI at its first session. The draft Memorandum of Understanding will be considered by the GEF Council at its meeting scheduled for 18 to 20 July 1995. The comments of the Council, together with information on the activities of the GEF in the area of climate change, will be made available in document FCCC/SBI/1995/3/Add.1

GE.95-62873

DRAFT MEMORANDUM OF UNDERSTANDING BETWEEN THE CONFERENCE OF THE PARTIES TO THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE AND THE COUNCIL OF THE GLOBAL ENVIRONMENT FACILITY

This Memorandum of Understanding is concluded between the Conference of the Parties to the United Nations Framework Convention on Climate Change (herein after referred to as the COP) and the Council of the Global Environment Facility (hereinafter referred to as the GEF Council), the international entity entrusted on an interim basis with the operation of the financial mechanism referred to in Article 11 of the Convention.

INTRODUCTION

The Parties to this Memorandum of Understanding,

Recalling Article 11 of the United Nations Framework Convention on Climate Change and recognizing that the financial mechanism is to provide financial resources on a grant and concessional basis, including for the transfer of technology and is to function under the guidance of and be accountable to the Conference of the Parties, which shall decide on its policies, programme priorities and eligibility criteria related to the Convention,

Recalling Article 11.1 which states that the operation of the financial mechanism shall be entrusted to one or more existing international entities,

Recalling also the decision of the first session of the Conference of the Parties on the maintenance of the interim arrangements referred to in Article 21, paragraph 3 that the restructured GEF shall continue, on an interim basis, to be the international entity entrusted with the operation of the financial mechanism, referred to in Article 11 of the Convention,

Recalling further the willingness of the Global Environment Facility to serve for the purposes of the financial mechanism of the United Nations Framework Convention on Climate Change as provided in paragraph 6 of the Instrument for the Establishment of the Restructured Global Environment Facility (hereinafter referred to as the Instrument),

Recalling that in accordance with Article 11.3 of the United Nations Framework Convention, the Conference of the Parties and the entity or entities entrusted with the operation of the financial mechanism shall agree upon arrangements to give effect to Article 11.1 and 11.2,

Recalling further that in accordance with paragraph 27 of the Instrument, the Council of the GEF is to consider and approve cooperative arrangements with the Conference of the Parties,

Have agreed as follows:

Purpose of arrangements

1. The purpose of this Memorandum is to give effect to the respective roles and responsibilities of the COP, the supreme body of the Convention, and the GEF, the international entity entrusted with the operation of the financial mechanism and to provide for the required interaction between them under Article 11 of the Convention and paragraphs 26 and 27 of the Instrument.

Determination and communication of guidance from the COP

2. The COP will, pursuant to Article 11.1, decide on policies, programme priorities and eligibility criteria related to the Convention for the financial mechanism which shall function under the guidance of and be accountable to the COP.

3. The COP will, after each of its sessions, communicate to the GEF Council any policy guidance approved by the COP concerning the financial mechanism.

Conformity with COP guidance

4. The Council will ensure the effective operation of the GEF as a source of funding activities for the purposes of the Convention in conformity with the guidance of the COP. It will report regularly to the COP on its activities related to the Convention and on the conformity of those activities with the guidance received from the COP.

Reconsideration of funding decisions

5. The funding decisions for specific projects should be agreed between the developing country Party concerned and the GEF in conformity with policy guidance from the COP. The GEF Council is responsible for approving the GEF work programmes. If any Party considers that a decision of the Council regarding a specific project in a proposed work programme does not comply with the policies, programme priorities and eligibility criteria established by the COP in the context of the Convention, the COP should analyse the observations presented to it by the Party and take decisions on the basis of compliance with such policies, programme priorities and eligibility criteria. In the event that the COP considers that this specific project decision does not comply with the policies, programme

priorities and eligibility criteria established by the COP, it may ask the GEF Council for further clarification on the specific project decision and in due time may ask for a reconsideration of that decision.

Reports from the GEF to the COP

6. Annual reports of the GEF will be made available to the COP through its secretariat. Other official public documentation of the GEF will also be made available to the COP through its secretariat. In order to meet the requirement of its accountability to the COP, the Annual Report of the GEF will cover all GEF-financed activities carried out in implementing the Convention, whether such activities are carried out by the GEF Implementing Agencies, the GEF Secretariat or by executing agencies implementing GEF-financed projects. To this end, the GEF Council will require all such bodies, with respect to GEF-financed activities, to comply with GEF policy on disclosure of information.

7. In its reporting on GEF-financed activities under the financial mechanism, the GEF should include specific information on how it has applied the guidance and decisions of the COP in its work related to the Convention. This report should be of a substantive nature and incorporate the programme of GEF activities in the areas covered by the Convention and an analysis of how the GEF, in its operations related to the Convention, has implemented the policies, programme priorities and eligibility criteria established by the COP. In particular, a synthesis of the different projects under implementation and a listing of the projects approved by the Council in the climate change focal area as well as a financial report with an indication of the financial resources required for those projects should be included. The Council should also report on its monitoring and evaluation activities concerning projects in the climate change focal area.

8. The GEF Council may seek guidance from the COP on any matter it considers relevant to the operation of the financial mechanism of the Convention.

Determination of funding necessary and available

9. In accordance with Article 11.3(d) of the Convention which calls for arrangements to determine in a predictable and identifiable manner the amount of funding necessary and available for the implementation of the Convention and the conditions under which that amount shall be periodically reviewed, the Conference of the Parties and the Council shall jointly determine the aggregate GEF funding requirements for the purpose of the Convention. Procedures to facilitate such a joint determination will be developed by the COP and the Council and annexed to this Memorandum.

Cooperation between secretariats

10. The secretariats of the Convention and of the GEF shall cooperate and exchange on a regular basis views and experiences necessary to facilitate the effectiveness of the financial mechanism in assisting Parties to implement the Convention.

Representation in meetings of governing bodies

11. The participation of representatives of the GEF Council in meetings of the COP and of its subsidiary bodies will be governed by the rules of procedure of the COP. Likewise, the participation of representatives of the Convention in meetings of the GEF Council will be determined in accordance with the rules of procedure of the GEF Council. In formulating and applying its rules, each organization will make every effort to accord the other organization reciprocal representation privileges.

Review and evaluation of the financial mechanism

12. The COP will periodically review and evaluate the effectiveness of all modalities established in accordance with Article 11.3. Such evaluations will be taken into account by the COP in its decision, pursuant to Article 11.4, on arrangements for the financial mechanism.

Modification of the Memorandum of Understanding

13. This Memorandum of Understanding may only be modified in writing by agreement between the COP and the GEF Council.

Entry into effect

14. This Memorandum of Understanding shall come into force upon its approval by the COP of the United Nations Framework Convention on Climate Change and the GEF Council.

Termination

15. This Memorandum of Understanding may be terminated by either Party giving six months notice in writing to the other.